

LESLIE PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with additional information)
FOR THE YEAR ENDED JUNE 30, 2006

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INDEPENDENT AUDITORS' REPORT

August 16, 2006

Board of Education
Leslie Public Schools
Leslie, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Leslie Public Schools as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Leslie Public Schools as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 16, 2006 on our consideration of Leslie Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The managements discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally if inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Leslie Public School's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants

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Leslie Public Schools Management's Discussion and Analysis

This section of Leslie Public School's annual financial report presents its discussion and analysis of the district's financial performance during the fiscal year ending June 30, 2006. Please read it in conjunction with the district's financial statements, which immediately follow this section.

Financial Highlights

- The assets of the district exceeded its liabilities at June 30, 2006 by \$2,421,517 (net assets).
- The district's total net assets increased by \$19,312, which represents a 0.80% gain from the previous fiscal year end date.
- Overall expenditures were \$13.7 million, which were lower than revenues by approximately \$19,000.
- Student enrollment for the entire district decreased by 34 to 1,426 students.
- The district's tax base increased by 7.33% compared with 8.27% in the prior year.
- Outlays for new capital assets were \$245,000, which is \$40,000 less than the prior year.
- The district reduced its outstanding long-term debt by \$512,000 or 2.94% percent.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district.

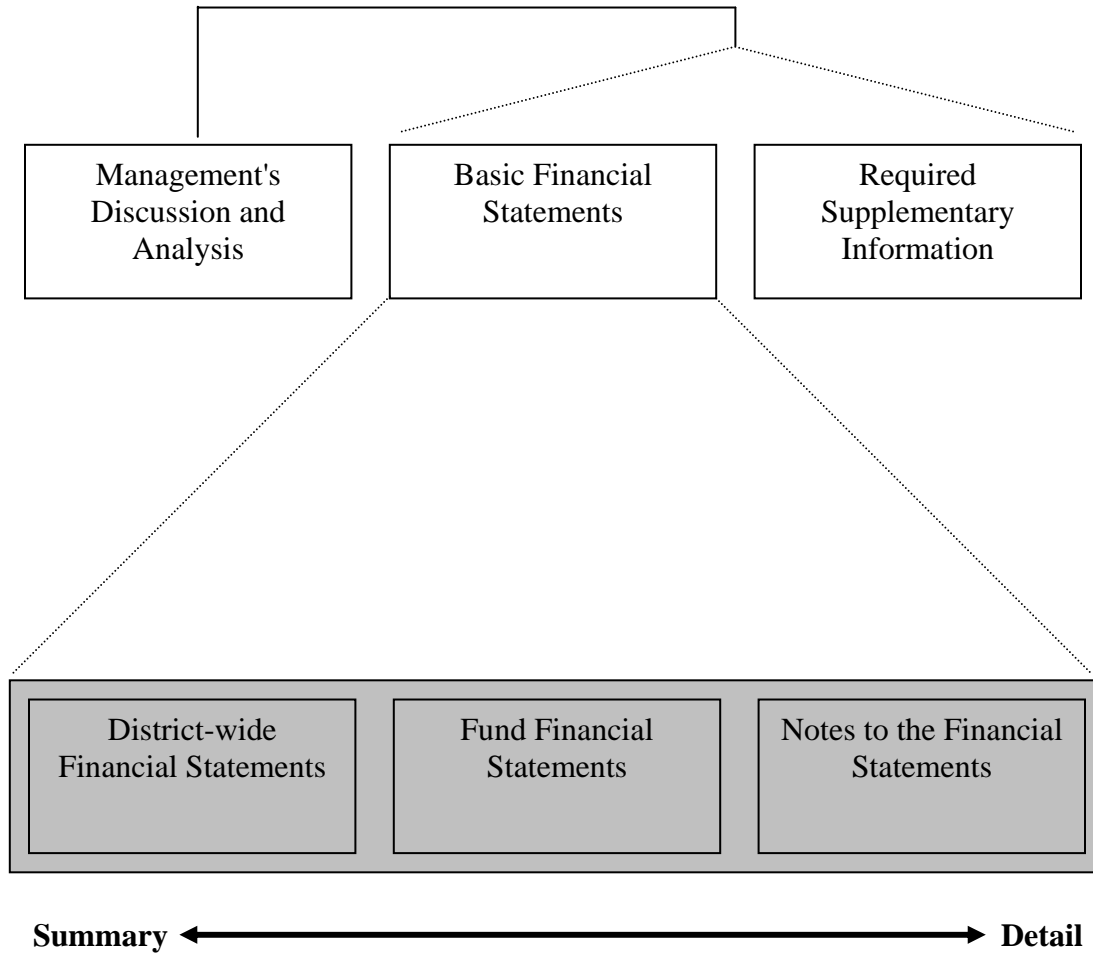
- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the district's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the district, reporting the district's operations in more detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Leslie Public Schools
Management's Discussion and Analysis**

Figure A-1

Organization of Leslie Public Schools Annual Financial Report



**Leslie Public Schools
Management's Discussion and Analysis**

Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements	
		<i>Governmental Funds</i>	<i>Fiduciary Funds</i>
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as student activities monies
Required Financial Statements	1) Statement of Net Assets 2) Statement of Activities	1) Balance sheet 2) Statement of revenues, expenditures, and changes in fund balances	1) Statement of fiduciary net assets 2) Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Leslie Public Schools Management's Discussion and Analysis

District-wide Financial Statements

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the district's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the district's *net assets* and how they have changed. Net assets, the difference between the district's assets and liabilities, is one way to measure the district's financial health or *position*.

- Over time, increases or decreases in the district's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the districts overall health, you need to consider additional non-financial factors such as changes in the district's property tax base and the condition of school buildings and other facilities.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its most significant or "major" funds: not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The district has two kinds of funds:

- *Governmental funds*: Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, this report includes reconciliation schedules that explain the relationship (or differences) between the District-wide Statements and the Fund Financial Statements.
- *Fiduciary funds*: The district is the trustee, or fiduciary, for assets that belong to others, such as student activities funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Leslie Public Schools Management's Discussion and Analysis

Financial Analysis of the District as a Whole

Net assets: On June 30, 2006 the district's *combined* net assets were more than they were the year before. The total increase was \$19,312, or 0.80%. Figure A-3 illustrates the valuation of net assets on June 30, 2006.

Figure A-3

Condensed Statement of Net Assets

	2006	2005	Change	
Assets				
Current	\$ 4,825,880	\$ 4,292,284	\$ 533,596	12.43 %
Non-Current	17,321,742	17,739,842	(418,100)	(2.35) %
	<u>\$ 22,147,622</u>	<u>\$ 22,032,126</u>	<u>\$ 115,496</u>	<u>0.52 %</u>
Liabilities				
Current	\$ 3,701,913	\$ 3,062,982	\$ 638,931	20.86 %
Non-Current	16,024,192	16,566,939	(542,747)	(3.27) %
	<u>19,726,105</u>	<u>19,626,921</u>	<u>99,184</u>	<u>0.50 %</u>
Net Assets				
Invested in capital assets, net of related debt	409,339	386,154	23,185	6.00 %
Restricted	447,204	380,152	67,052	17.63 %
Unrestricted	1,564,974	1,635,899	(70,925)	(4.33) %
	<u>2,421,517</u>	<u>2,402,205</u>	<u>19,312</u>	<u>0.80 %</u>
Liabilities and Net Assets	<u>\$ 22,147,622</u>	<u>\$ 22,032,126</u>	<u>\$ 115,496</u>	<u>0.52 %</u>

The district's increased financial position resulted primarily because it was able to reduce its long-term liabilities at an amount greater than the difference between its depreciation expense less new investments in capital assets.

Changes in net assets: The district's total revenues of \$13.74 million were slightly more than expenses; increasing net assets by \$19,312 over last year (see Figure A-4). State formula aid accounted for most of the district's revenue, contributing about 63 cents of every dollar raised. Another 15 percent came from property taxes levied by the district. Operating grants and contributions comprised State and federal aid for special education and other added needs programs accounted for 7.6 percent of the revenue (see Figure A-5).

Around 60% of the district's \$13.7 million of expenses were used for instruction, pupil services, and instructional services. These expenses comprised 59% of the prior year expenses. The school and district administrative and business activities accounted for 11 percent of total costs; which is a slight decrease from last year. Operations and Maintenance comprised 9.4% of current year expenses compared to 9.1% of prior year expenses. Over half of the increase is due to the higher costs of utilities. (see Figure A-6).

**Leslie Public Schools
Management's Discussion and Analysis**

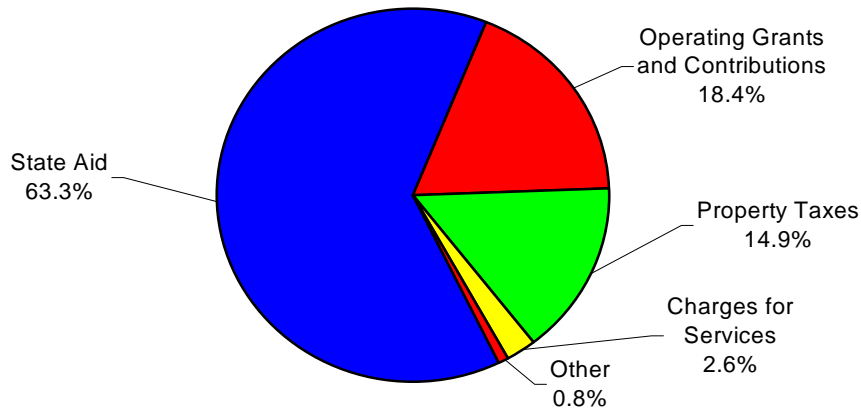
Figure A-4

Changes in Net Assets from Operating Results

	<u>2006</u>	<u>2005</u>	<u>Change</u>	
Revenues				
Charges for Services	\$ 362,102	\$ 329,800	\$ 32,302	9.8 %
Operating Grants and Contributions	2,521,824	2,311,763	210,061	9.1 %
Capital Grants and Contributions	13,230	14,157	(927)	(6.5)%
Property Taxes	2,051,343	1,925,563	125,780	6.5 %
State Aid	8,695,144	8,663,354	31,790	0.4 %
Other	96,926	52,274	44,652	85.4 %
	<u>13,740,569</u>	<u>13,296,911</u>	<u>443,658</u>	<u>3.3 %</u>
Expenses				
Instruction	7,206,253	7,038,012	168,241	2.4 %
Pupil & Instructional Services	959,584	951,794	7,790	0.8 %
Administration & Business	1,511,498	1,520,224	(8,726)	(0.6)%
Operations & Maintenance	1,293,966	1,232,450	61,516	5.0 %
Transportation	570,912	588,748	(17,836)	3.0 %
Facilities Acquisition	426,350	444,847	(18,497)	(4.1)%
Interest on Long Term Debt	789,035	753,806	35,229	4.7 %
Other	963,659	968,986	(5,327)	0.5 %
	<u>13,721,257</u>	<u>13,498,867</u>	<u>222,390</u>	<u>1.6 %</u>
Increase / (Decrease) in Net Assets	<u>\$ 19,312</u>	<u>\$ (201,956)</u>	<u>\$ 221,268</u>	

Figure A-5

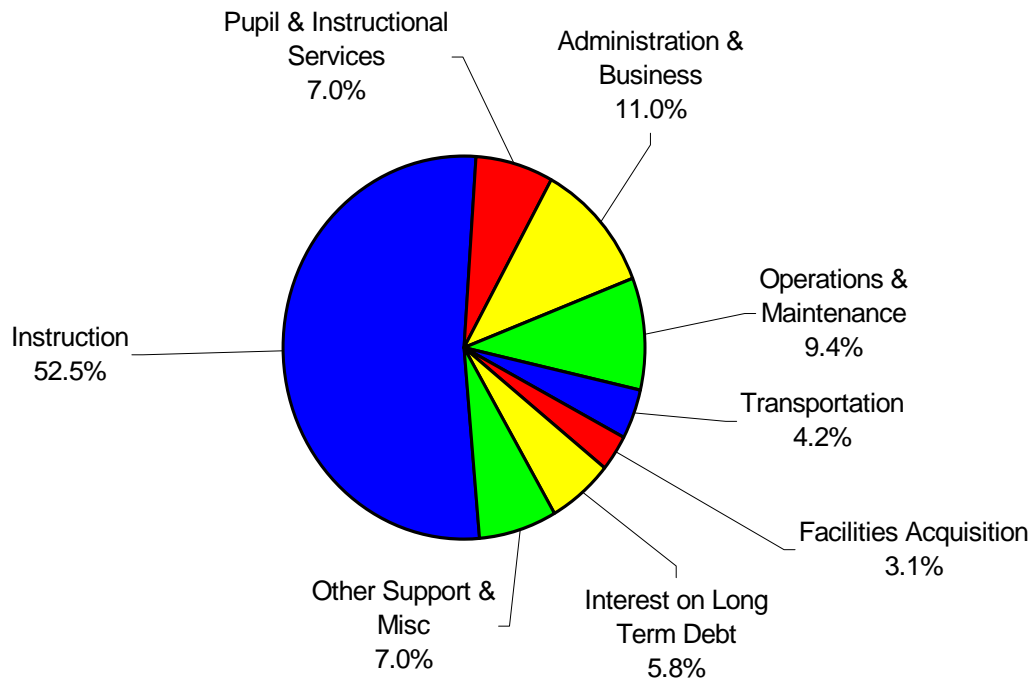
Sources of Revenues for Fiscal Year Ending June 30, 2006



**Leslie Public Schools
Management's Discussion and Analysis**

Figure A-6

Expenses for Fiscal Year Ending June 30, 2006



Financial Analysis of the District's Funds

While the district's net assets increased by over \$19,000 per the district-wide statements, the district's combined governmental fund balances decreased by around \$79,000 per the fund financial statements. A detailed explanation for this change is provided in the financial statements. The specific report is entitled "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities".

General Fund Budgetary Highlights

Over the course of the year, the district revised the annual operating budget three times. The significant items causing budget adjustments are enumerated below:

- Actual enrollment was 40 students fewer than budgeted, decreasing state aid by \$150,000.
- The district received a one-time grant of \$35,000 for collaborating with a neighboring district in transporting students to the county-wide career center.
- Natural gas prices and electric usage increased dramatically which added \$37,000 to the budget.
- The contract settlement with the union representing the faculty increased the salary and benefits budget by \$190,000.

Leslie Public Schools Management's Discussion and Analysis

Although the district's final budget for the general fund anticipated that expenditures would exceed revenues by \$439,000, the actual results for the year show a \$157,000 deficit. The chart presented in Figure A-7 compares the general fund budgeted and actual expenditures, primarily by object.

Figure A-7

General Fund Expenditures - Budget versus Actual

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	
Revenues:				
Local sources	\$ 804,461	\$ 798,708	\$ (5,753)	(0.7)%
Intermediate sources	1,000,700	1,084,142	83,442	8.7 %
State sources	9,504,467	9,522,344	17,877	0.2 %
Federal sources	290,907	290,907		0.0 %
Other sources	64,420	64,615	195	0.0 %
	<u>11,664,955</u>	<u>11,760,716</u>	<u>95,761</u>	<u>0.1 %</u>
Expenditures:				
Salaries and Benefits	10,235,484	10,166,744	68,740	0.7 %
Utilities, Phones, etc	435,466	417,955	17,511	4.0 %
Purchased Services	547,174	515,229	31,945	5.8 %
Supplies and Materials	392,310	336,335	55,975	14.3 %
Capital Outlay	187,111	179,533	7,578	4.1 %
Miscellaneous	63,817	66,910	(3,093)	(4.8)%
Transfers to Other Funds	242,525	235,080	7,445	3.1 %
	<u>12,103,887</u>	<u>11,917,786</u>	<u>186,101</u>	<u>1.5 %</u>
Net change in fund balances	<u>\$ (438,932)</u>	<u>\$ (157,045)</u>	<u>\$ 281,887</u>	

Capital Asset and Debt Administration

Capital Assets

By the end of 2006, the district had invested \$26.4 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and school buses. This amount represents a net increase of approximately \$100,000 or nearly 0.5% from last year. Total depreciation expense for the year exceeded \$660,000. Figure A-8 details the historical costs, accumulated depreciation, and book value of the district's capital assets.

Leslie Public Schools
Management's Discussion and Analysis

Figure A-8

Statement of Capital Assets

	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Asset Value</u>
Land and Buildings			
Land	\$ 300,000	\$	\$ 300,000
Buildings	22,962,450	7,225,547	15,736,903
Building Improvements	251,801	37,457	214,344
Site Improvements	160,874	50,184	110,690
	<u>23,675,125</u>	<u>7,313,188</u>	<u>16,361,937</u>
Equipment			
Athletic Equipment	4,609	1,652	2,957
Audio Visual Equipment	86,601	39,039	47,562
Business Machines	5,145	3,018	2,127
Communications Equipment	42,470	23,412	19,058
Computer Hardware	699,391	584,608	114,783
Computer Software	37,702	23,530	14,172
Copier Equipment	71,185	54,613	16,572
Custodial Equipment	54,923	27,050	27,873
Electrical/Plumbing	9,019	1,804	7,215
Flooring Replacement	87,109	22,577	64,532
Furniture	201,577	201,014	563
Grounds Equipment	88,002	26,944	61,058
HVAC Systems	13,366	2,288	11,078
Instructional Equipment	5,807	2,091	3,716
Kitchen Equipment	54,665	13,320	41,345
Lockers	41,859	32,790	9,069
Maintenance Equipment	7,099	5,825	1,274
Music/stage Equipment	161,598	80,591	81,007
Outdoor Equipment	164,079	43,514	120,565
Surveillance/Security Equipment	74,511	36,169	38,342
Transportation Equipment	3,300	1,485	1,815
	<u>1,914,017</u>	<u>1,227,334</u>	<u>686,683</u>
Vehicles	<u>793,164</u>	<u>520,042</u>	<u>273,122</u>
	<u>\$ 26,382,306</u>	<u>\$ 9,060,564</u>	<u>\$ 17,321,742</u>

Long Term Debt

At year-end, the district had approximately \$16.9 million in general obligation bonds and other long-term debt outstanding – a reduction of over 2.94 percent from last year, as shown in Figure A-9.

Leslie Public Schools Management's Discussion and Analysis

Figure A-9

Statement of Long Term Debt

	Beginning Value	Net Increase / (Decrease)	Ending Value
Bonded Debt			
1995 Debt, Non-Callable portion	\$	\$	\$
1998 Debt, Refinanced portion of 95	11,830,000	(630,000)	11,200,000
Durant Bonds, Limited Obligation	155,643	(11,792)	143,851
SubTotal Bonded Debt	<u>11,985,643</u>	<u>(641,792)</u>	<u>11,343,851</u>
School Bond Loan Fund			
Borrowings from the SBLF	4,181,342	(80,170)	4,101,172
Interest charges on SBLF Borrowings	1,186,703	216,071	1,402,774
SubTotal SBLF	<u>5,368,045</u>	<u>135,901</u>	<u>5,503,946</u>
Compensated Absences			
Terminal Leave for Professional Staff	51,847	(4,414)	47,433
Terminal Leave for Classified Staff	6,836	(3,553)	3,283
Unused Vacation for Classified Staff	11,926	1,964	13,890
SubTotal Compensated Absences	<u>70,609</u>	<u>(6,003)</u>	<u>64,606</u>
Total Long-term Debt	<u><u>\$ 17,424,297</u></u>	<u><u>\$ (511,894)</u></u>	<u><u>\$ 16,912,403</u></u>

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the district was aware of two circumstances that could significantly affect its financial health in the future:

- A primary concern is pension costs, which the district has little or no ability to contain. The State of Michigan has increased the district's share of pension contributions by nearly 9% effective October 1, 2006. It is likely that the district will see annual increases to its rate of pension contributions by at least 10%.
- The district's tax base increased at a greater rate than originally assumed when voters passed a \$15 million bond issue in 1995. In fact, the increase for the 2005-06 fiscal year was 7.33%. The higher rate of increase in the tax base will not result in additional operating revenues. However, it will mean the district will be able to reduce long-term debt more quickly than estimated when the bond issue passed.

Contacting the District's Financial Management

This financial report is designed to provide the district's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Leslie Public Schools Business Office, 432 North Main St., Leslie, MI 49251.

Basic Financial Statements

LESLIE PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2006

ASSETS	Governmental Activities
Current assets:	
Cash and cash equivalents	\$ 1,514,026
Investments	1,322,512
Other Receivables	57,469
Due from other governmental units	1,885,547
Inventory and prepaid items	<u>46,326</u>
Total current assets	<u>4,825,880</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>17,321,742</u>
	<u><u>\$ 22,147,622</u></u>
 LIABILITIES AND NET ASSETS	
Current liabilities:	
Accounts payable and other current liabilities	\$ 1,278,619
Note payable	1,500,000
Deferred revenue	35,083
Current portion of long term debt	<u>888,211</u>
Total current liabilities	3,701,913
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>16,024,192</u>
Total liabilities	<u>19,726,105</u>
Net assets:	
Invested in capital assets, net of related debt	409,339
Restricted for:	
Capital projects	939
Debt retirement	446,265
Unrestricted	<u>1,564,974</u>
Total net assets	<u>2,421,517</u>
	<u><u>\$ 22,147,622</u></u>

See notes to financial statements.

**LESLIE PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (expenses) And changes in Net assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Governmental activities:					
Instruction:					
Basic programs	\$ 5,987,898	\$	\$ 326,976	\$	\$ (5,660,922)
Added needs	1,218,355		1,827,668		609,313
	<u>7,206,253</u>		<u>2,154,644</u>		<u>(5,051,609)</u>
Supporting services:					
Pupil	630,033				(630,033)
Instructional staff	329,551		14,547		(315,004)
General administration	404,667		26,847		(377,820)
School administration	872,608		13,092		(859,516)
Business	234,223		4,123		(230,100)
Operation and maintenance	1,293,966	11,053	24,673		(1,258,240)
Pupil transportation services	570,912	2,340	39,366		(529,206)
Central support services	154,155				(154,155)
Other support services	764,966	348,709	239,216	8,276	(168,765)
	<u>5,255,081</u>	<u>362,102</u>	<u>361,864</u>	<u>8,276</u>	<u>(4,522,839)</u>
Other activities:					
Community Services	8,919				(8,919)
Facilities acquisition	426,350			4,954	(421,396)
Interest on long term debt	789,035		5,316		(783,719)
Depreciation, unallocated	35,619				(35,619)
	<u>1,259,923</u>		<u>5,316</u>	<u>4,954</u>	<u>(1,249,653)</u>
Total governmental activities	<u>\$ 13,721,257</u>	<u>\$ 362,102</u>	<u>\$ 2,521,824</u>	<u>\$ 13,230</u>	<u>(10,824,101)</u>
General revenues:					
Property taxes, levied for general purposes					708,950
Property taxes, levies for debt services					1,342,393
Unrestricted state aid					8,695,144
Interest and investment earnings					71,509
Miscellaneous					27,892
Special Items – Gain / (Loss) on Sale of Equipment					<u>(2,475)</u>
Total General revenues and special items					10,843,413
CHANGES IN NET ASSETS					19,312
Net assets – beginning of year					<u>2,402,205</u>
Net assets – end of year					<u>\$ 2,421,517</u>

See notes to financial statements.

**LESLIE PUBLIC SCHOOLS
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General	1998 Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,034,381	\$ 446,265	\$ 33,380	\$ 1,514,026
Investments	1,322,512			1,322,512
Taxes receivable				
Interest receivable	12,726			12,726
Other receivables	42,206		2,537	44,743
Due from other funds	29,569		2,250	31,819
Due from other governmental units	1,824,902		11,864	1,836,766
Inventory			10,975	10,975
Prepaid items	35,351			35,351
	<u>\$ 4,301,647</u>	<u>\$ 446,265</u>	<u>\$ 61,006</u>	<u>\$ 4,808,918</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Note payable	\$ 1,500,000	\$	\$	\$ 1,500,000
Accrued interest payable	37,167			37,167
Accounts payable and accrued expenses	599,694		10,949	610,643
Due to other funds	950		30,869	31,819
Deferred revenue	31,288		3,795	35,083
Salaries payable	584,489		1,157	585,646
Total liabilities	<u>2,753,588</u>		<u>46,770</u>	<u>2,800,358</u>
Fund balances:				
Reserved for:				
Inventory			10,975	10,975
Prepaid items	35,351			35,351
Capital projects			939	939
Debt retirement		446,265		446,265
Unreserved:				
Undesignated	<u>1,512,708</u>		<u>2,322</u>	<u>1,515,030</u>
Total fund balances	<u>1,548,059</u>	<u>446,265</u>	<u>14,236</u>	<u>2,008,560</u>
	<u>\$ 4,301,647</u>	<u>\$ 446,265</u>	<u>\$ 61,006</u>	<u>\$ 4,808,918</u>

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Amounts reported for governmental activities in the statement of net assets are difference because:

Total Fund Balance - Governmental Funds **\$ 2,008,560**

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets is	26,382,306	
Accumulated depreciation is	<u>(9,060,564)</u>	
		17,321,742

Amounts due from Intermediate sources (governmental unit) were earned this year but won't be collected soon enough for the current period's expenditures, and therefore are not included in the funds. They are reported in the statement of activities as program revenues, and in the net assets as due from governmental units.

48,781

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	11,343,851	
Accrued interest payable	45,163	
School Bond Loan Fund Proceeds Payable	4,101,172	
Accrued interest on the School Bond Loan Funds Proceeds	1,402,774	
Compensated absences (vacations)	13,890	
Special Termination Benefits Payable	<u>50,716</u>	<u>(16,957,566)</u>

Total net assets - governmental activities **\$ 2,421,517**

LESLIE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	General	1998 Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 708,950	\$ 1,342,393	\$	\$ 2,051,343
Other local sources	89,758	18,778	366,197	474,733
Intermediate sources	1,084,142			1,084,142
State sources	9,522,344		51,093	9,573,437
Federal sources	290,907		201,186	492,093
Other sources	64,615			64,615
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	11,760,716	1,361,171	618,476	13,740,363
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES:				
Instruction:				
Basic instruction	5,968,207			5,968,207
Added needs	1,216,610			1,216,610
	<hr/>	<hr/>	<hr/>	<hr/>
Total Instruction	7,184,817			7,184,817
	<hr/>	<hr/>	<hr/>	<hr/>
Support Services:				
Pupil services	626,222			626,222
Instructional staff	319,443			319,443
General Administration	403,299			403,299
School Administration	881,613			881,613
Business	233,865			233,865
Operations and Maintenance	1,276,812			1,276,812
Transportation	589,571			589,571
Central Support services	158,145			158,145
Community services	8,919			8,919
Food service			501,528	501,528
Athletic activities			247,246	247,246
Facilities site improvements			91,145	91,145
Principal and interest		1,280,076	17,108	1,297,184
	<hr/>	<hr/>	<hr/>	<hr/>
Total support services	4,497,889	1,280,076	857,027	6,634,992
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	11,682,706	1,280,076	857,027	13,819,809
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	78,010	81,095	(238,551)	(79,446)
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):				
Operating transfers in		89,813	236,380	326,193
Operating transfers out	(235,080)		(91,113)	(326,193)
Proceeds from sale of equipment	25			25
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(235,055)	89,813	145,267	25
	<hr/>	<hr/>	<hr/>	<hr/>

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006
(continued)

	<u>General</u>	<u>1998 Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
NET CHANGES IN FUND BALANCES	(157,045)	170,908	(93,284)	(79,421)
FUND BALANCES:				
Beginning of year	<u>1,705,104</u>	<u>275,357</u>	<u>107,520</u>	<u>2,087,981</u>
End of year	<u>\$ 1,548,059</u>	<u>\$ 446,265</u>	<u>\$ 14,236</u>	<u>\$ 2,008,560</u>

See notes to financial statements.

**LESLIE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Total net change in fund balances - governmental funds **\$ (79,421)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Depreciation expense \$	660,684	
Capital outlays	<u>(245,084)</u>	(415,600)

Because some amounts due from governmental sources won't be collected until after several months after the district's fiscal year ends, they are not considered as revenues in the governmental funds. However, they are recorded as program revenues in the statement of activities.

48,781

Certain revenues collected during the year that provided economic resources to the previous year are not recorded as program revenues in the statement of activities.

(46,100)

Interest on long-term debt in the statement of activities differs from the amount recorded in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

2,258

In the statement of activities, certain compensated absences (vacations) and special termination benefits are measured by the net change in amounts from The beginning to the end of the year. In the governmental funds, however, expenditures for these items are measured when paid. The net increase/(decrease) In amounts included in the statement of activities are:

Compensated absences (vacations) \$	1,964	
Special Termination Benefits Payable	<u>(7,967)</u>	6,003

Repayment of bond principal is an expenditure in the governmental funds, but It reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

721,962

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006
(continued)

The fund statement recognized the \$25 received from the sale of misc equipment. The district also reclassified an item of \$2,500. The government activities statements recognize the transaction as a reduction in capital assets by \$2,500 per the statement of net assets, and a \$25 on sale of equipment per the statement of activities.	(2,500)
An amount of \$216,071 for interest costs were accreted to the district's SBLF liability. This is a long-term debt that is not included as an expenditure in the governmental funds. It is treated as an expense in the statement of activities.	<u>(216,071)</u>
Change in net assets of governmental activities.	<u><u>\$ 19,312</u></u>

See notes to financial statements.

**LESLIE PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2006**

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash	<u>\$ 98,083</u>	<u>\$ 98,999</u>
LIABILITIES		
Liabilities:		
Due to student groups and others	<u>\$ 98,083</u>	<u>\$ 98,999</u>

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
AGENCY FUNDS – STUDENT ACTIVITY FUNDS
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND LIABILITIES
YEAR ENDED JUNE 30, 2006

	Balances, beginning of year	Receipts	Disbursements	Balances, End of year
Administrative	\$ 274	6,322	6,024	\$ 572
High school	48,259	126,765	134,443	40,581
Middle school	39,926	47,180	47,851	39,255
Elementary school	10,540	39,709	32,574	17,675
	<u>\$ 98,999</u>	<u>\$ 219,976</u>	<u>\$ 220,892</u>	<u>\$ 98,083</u>

See notes to financial statements.

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Leslie Public Schools (the District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based on the application of these criteria, the financial statements of Leslie Public Schools contain all the funds and account group controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District nor is the District a component unit of another entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the school district. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

The district reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The *1998 debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the district reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Property taxes, state foundation revenue, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time. State and federal revenues are recognized as follows:

State Foundation Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006 the foundation allowance was based on the pupil membership counts taken in February and September 2005.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 – Accounting for Property Taxes.

Categorical

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Equity

1. Cash and investments

Cash includes amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the district intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Equity (continued)

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund (non-homestead)	17.3111
Debt service funds (homestead & non-homestead)	7.3900

4. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital Assets

Capital assets, which include property, plant, equipment are reported in the government-wide financial statements. Capital assets are defined by the district as assets with an initial individual cost of more than \$2,500 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the district are depreciated using the straight line method over the following estimated useful lives:

Buildings	50 yrs
Building and site improvements	20 yrs
General equipment	10-15 yrs
Vehicles	8 yrs
Office furniture and fixtures	7 yrs
Computer equipment	5 yrs

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Equity (continued)

6. Compensated Absences

It is the district's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued in the government-wide financial statement. A liability for these amounts is reported in governmental funds only if they are expected to be liquidated with expendable available resources (generally sixty days).

7. Unemployment Insurance

The District reimburses the State of Michigan for the actual amount of unemployment benefits disbursed by the State on behalf of the District. Billings are received for amounts paid by the State through June 30 are accrued.

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

9. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources." The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Use of Estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District maintains a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditure and changes in fund balances – budget and actual – GAAP basis – general, special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DEPOSITS, INVESTMENTS AND CREDIT RISK

Cash and cash equivalents are held separately in the name of the District by each of the District's funds.

Deposits

At year-end, the carrying amount of the District's deposits were \$1,612,109 and the bank balance was \$1,761,214 of which \$399,533 was covered by federal depository insurance and \$1,361,681 was uninsured and uncollateralized.

Investments

The District had the following investments as of June 30, 2006:

Michigan Municipal Bond Revenue Note (cost = market) Matures August 19, 2006	\$ <u>1,322,512</u>
--	---------------------

Interest Rate Risk – The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The district has no investment policy that would further limit its investment choices. As of June 30, 2006, the district's investment in the Michigan Municipal Bond Revenue Note was rated SP-1+ by Standard and Poor's.

Concentration of Credit Risk – The district places no limit on the amount the district may invest in any one issuer. All of the districts investments are reported in the General fund.

A reconciliation of cash as shown on the combined balance sheet follows:

Carrying amount of deposits	\$ 1,612,109
Investments	<u>1,322,512</u>
Total	<u>\$ 2,934,621</u>
 Cash and cash equivalents:	
Governmental activities	\$ 2,836,538
Fiduciary funds	<u>98,083</u>
Total	<u>\$ 2,934,621</u>

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – NOTE PAYABLE

At June 30, 2006 the District has outstanding a \$1,500,000 revenue note (state aid note) dated August 21, 2005. The note, which has an interest rate of 2.87%, matures August 21, 2006. The note is secured by the full faith and credit of the District, the investment contract, as well as pledged state aid. The short term note is used to facilitate cash flow needs.

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2006:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Note payable	\$ 1,140,000	\$ 1,500,000	\$ 1,140,000	\$ 1,500,000

NOTE 5 – RECEIVABLES

Receivables at June 30 consist of the following:

	<u>General fund</u>	<u>Special Revenue funds</u>
Governmental units	\$ 1,824,902	\$ 11,864
Other Receivables	42,206	2,537
Interest	<u>12,726</u>	<u> </u>
	<u>\$ 1,879,834</u>	<u>\$ 14,401</u>

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM LIABILITIES

At June 30, 2006, general obligation debts and other long-term obligations currently outstanding are as follows:

\$12,265,000 1998 serial bonds payable in annual installments of \$65,000 to \$655,000 through May 1, 2025; interest at 4.3% to 5.0%	\$ 11,200,000
Limited obligation Durant bonds payable in annual installments of \$10,742 to \$22,000 through May 2013, interest at 4.76%	<u>143,851</u>
Total bonded debt	11,343,851
Borrowings from State of Michigan under the School Bond Loan Fund, including interest	<u>5,503,946</u>
Termination benefits	<u>64,606</u>
	<u><u>\$ 16,912,403</u></u>

The annual requirements to amortize long-term obligations outstanding as of June 30, 2006 including interest of \$5,282,364 are as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 642,351	\$ 546,711	\$ 1,189,062
2008	637,942	514,624	1,152,566
2009	682,557	505,821	1,188,378
2010	654,203	457,424	1,111,627
2011	669,880	427,308	1,097,188
2012-2016	3,186,918	1,658,375	4,845,293
2017-2021	2,765,000	917,138	3,682,138
2022-2025	<u>2,105,000</u>	<u>254,963</u>	<u>2,359,963</u>
	11,343,851	5,282,364	16,626,215
Due to School Bond Loan Fund	5,503,946		5,503,946
Termination benefits	<u>64,606</u>		<u>64,606</u>
	<u><u>\$ 16,912,403</u></u>	<u><u>\$ 5,282,364</u></u>	<u><u>\$ 22,194,767</u></u>

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 – LONG-TERM DEBT (concluded)

At June 30, 2006, net assets of \$446,265 are available in the debt service funds to service the general obligation debt.

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2006:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 11,830,000	\$	\$ 630,000	\$ 11,200,000	\$ 630,000
Limited obligation bonds	<u>155,643</u>		<u>11,792</u>	<u>143,851</u>	<u>12,351</u>
Total bonds payable	11,985,643		641,792	11,343,851	642,351
Other liabilities:					
School bond loan fund	5,368,045	216,071	80,170	5,503,946	245,860
Termination benefits	<u>70,609</u>	<u>4,319</u>	<u>10,322</u>	<u>64,606</u>	
Total long-term liabilities	<u>\$ 17,424,297</u>	<u>\$ 220,390</u>	<u>\$ 732,284</u>	<u>\$ 16,912,403</u>	<u>\$ 888,211</u>

NOTE 7 – GOVERNMENTAL FUND TYPE INTERFUND TRANSACTIONS

Amounts due to and from other funds for the Districts governmental fund types at June 30, 2006 are as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Capital Project fund	\$ 18,238
General fund	Athletic Activities	11,331
Capital Project fund	Concession Capital Project	1,300
Food Service fund	General fund	<u>950</u>
		<u>\$ 31,819</u>

Inter-fund transfers for the year ended June 30, 2006 were as follows:

<u>Fund Transferred Out</u>	<u>Fund Transferred In</u>	<u>Amount</u>
General fund	Athletic Activities	\$ 163,080
General fund	Capital Project fund	72,000
1995 Debt Service fund	1998 Debt Service fund	89,813
Concession Capital Project	Capital Project fund	<u>1,300</u>
		<u>\$ 326,193</u>

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2006 were as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Retirements</u>	<u>End of year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 300,000	\$	\$	\$ 300,000
Capital assets, being depreciated				
Buildings	23,287,625	90,000	2,500	23,375,125
Equipment and technology	1,864,451	91,899	42,333	1,914,017
Vehicles	815,356	63,185	85,377	793,164
Total historical cost	<u>\$ 25,967,432</u>	<u>\$ 245,084</u>	<u>\$ 130,210</u>	<u>\$ 26,082,306</u>
Less accumulated depreciation:				
Buildings	\$ 6,872,645	\$ 440,543	\$	\$ 7,313,188
Equipment and technology	1,094,002	175,665	42,333	1,227,334
Vehicles	560,943	44,476	85,377	520,042
Total accumulated depreciation	<u>\$ 8,527,590</u>	<u>\$ 660,684</u>	<u>\$ 127,710</u>	<u>\$ 9,060,564</u>
Governmental activities capital assets, net	<u>\$ 17,739,842</u>	<u>\$ (415,600)</u>	<u>\$ 2,500</u>	<u>\$ 17,321,742</u>

Depreciation expense was charged to governmental functions as follows:

Depreciation not allocated	\$ 35,619
Basic programs	39,644
Added needs	1,095
Pupil services	3,661
Instructional staff services	10,058
General administration	1,368
School administration	1,850
Business services	358
Operations and maintenance	49,126
Transportation services	44,526
Central services	24,430
Facilities acquisition	429,205
Other	19,744
	<u>\$ 660,684</u>

LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to the pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2006 were 16.34%. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2006, 2005 and 2004 were \$1,165,969, \$1,068,433, and \$915,164, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post-Employment Benefits – Under the MPERS' Act, all retirees have the option of continuing health, dental and vision coverage.

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered Public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for one policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The District borrows from time to time to facilitate its cash flow needs.

**LESLIE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes.

Food Service fund – This fund accounts for the Districts school lunch program.

Athletic Activities fund – This fund accounts for the Athletic activities of the District.

Community Education fund – This fund is used to account for various community education programs run by the District.

The 1995 Debt Service and Durant Debt Service funds accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects funds accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

Concession capital project – This fund is used to account for the construction of a new concession facility at the District's Football facility. This fund is being funded through community and district donations.

Capital projects fund – This fund is used to account for the general construction of facilities and structures of the district. This fund is funded by transfers from the general fund.

REQUIRED SUPPLEMENTARY INFORMATION

**LESLIE PUBLIC SCHOOLS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS
YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts			Variance with Final Budget- Favorable (unfavorable)
	Original	Final	Actual	
Property taxes	\$ 659,628	\$ 722,989	\$ 708,950	\$ (14,039)
Other local sources	79,372	81,472	89,758	8,286
Intermediate sources	970,700	1,000,700	1,084,142	83,442
State sources	9,656,811	9,504,467	9,522,344	17,877
Federal sources	269,117	290,907	290,907	
Other sources	61,622	64,420	64,615	195
Total revenues	11,697,250	11,664,955	11,760,716	95,761
EXPENDITURES:				
Instruction:				
Basic instruction	5,837,379	5,988,509	5,968,207	20,302
Added needs	1,258,724	1,238,723	1,216,610	22,113
Total Instruction	7,096,103	7,227,232	7,184,817	42,415
Support Services:				
Pupil services	616,932	634,313	626,222	8,091
Instructional staff	334,120	331,254	319,443	11,811
General Administration	442,481	444,113	403,299	40,814
School Administration	866,000	882,678	881,613	1,065
Business	232,637	236,339	233,865	2,474
Operations and Maintenance	1,208,841	1,288,906	1,276,812	12,094
Transportation	615,206	636,756	589,571	47,185
Central Support services	158,510	161,264	158,145	3,119
Community services	18,495	18,507	8,919	9,588
Total support services	4,493,222	4,634,130	4,497,889	136,241
Total expenditures	11,589,325	11,861,362	11,682,706	178,656
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	107,925	(196,407)	78,010	274,417
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of equipment			25	25
Operating transfers out	(170,525)	(242,525)	(235,080)	7,445
NET CHANGES IN FUND BALANCES	\$ (62,600)	\$ (438,932)	(157,045)	\$ 281,887
FUND BALANCES:				
Beginning of year			1,705,104	
End of year			\$ 1,548,059	

**LESLIE PUBLIC SCHOOLS
1998 DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts			Variance with Final Budget- Favorable (unfavorable)
	Original	Final	Actual	
REVENUES:				
Property taxes	\$ 1,331,741	\$ 1,331,741	\$ 1,342,393	\$ 10,652
Investment income	3,000	3,000	18,778	15,778
Total revenues	1,334,741	1,334,741	1,361,171	26,430
EXPENDITURES:				
Debt service:				
Principal	840,250	857,263	710,170	147,835
Interest and other fiscal charges	570,648	570,648	570,648	
Total expenditures	1,410,898	1,427,911	1,280,076	147,835
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(76,157)	(93,170)	81,095	174,265
OTHER FINANCING SOURCES (USES):				
Operating Transfers In		89,813	89,813	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	\$ (76,157)	\$ (3,357)	170,908	\$ 174,265
FUND BALANCES:				
Beginning of year			275,357	
End of year			\$ 446,265	

OTHER SUPPLEMENTAL INFORMATION

**LESLIE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	Special Revenue Funds				Debt Service Funds		
	Food Service	Community Education	Athletic Activities	Total	1995 Debt Service	Durant Debt Service	Total
ASSETS							
Cash and cash equivalents	\$ 1,058	\$ 100	\$ 13,045	\$ 14,203	\$	\$	\$
Receivables:							
Other	2,537			2,537			
Due from other funds	950			950			
Due from other governmental units	11,864			11,864			
Inventory	10,975			10,975			
	<u>\$ 27,384</u>	<u>\$ 100</u>	<u>\$ 13,045</u>	<u>\$ 40,529</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Liabilities:							
Accounts payable and accrued expenses	\$ 10,913	\$	\$ 36	\$ 10,949	\$	\$	\$
Due to other funds			11,331	11,331			
Deferred revenue	3,795			3,795			
Salaries payable	1,157			1,157			
	<u>15,865</u>		<u>11,367</u>	<u>27,232</u>			
Fund balances:							
Reserved for:							
Inventory	10,975			10,975			
Capital projects							
Unreserved:							
Undesignated	544	100	1,678	2,322			
	<u>11,519</u>	<u>100</u>	<u>1,678</u>	<u>13,297</u>			
Total fund balances	<u>\$ 27,384</u>	<u>\$ 100</u>	<u>\$ 13,045</u>	<u>\$ 40,529</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**LESLIE PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>Capital Project Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Concession Capital Project</u>	<u>Capital Project</u>	<u>Total</u>	
ASSETS				
Cash and cash equivalents	\$ 1,927	\$ 17,250	\$ 19,177	\$ 33,380
Receivables:				
Other				2,537
Due from other funds		1,300	1,300	2,250
Due from other governmental units				11,864
Inventory				10,975
	<u>\$ 1,927</u>	<u>\$ 18,550</u>	<u>\$ 20,477</u>	<u>\$ 61,006</u>
Liabilities:				
Accounts payable and accrued expenses	\$	\$	\$	\$ 10,949
Due to other funds	1,300	18,238	19,538	30,869
Deferred revenue				3,795
Salaries payable				1,157
	<u>1,300</u>	<u>18,238</u>	<u>19,538</u>	<u>46,770</u>
Fund balances:				
Reserved for:				
Inventory				10,975
Capital projects	627	312	939	939
Unreserved:				
Undesignated				2,322
	<u>627</u>	<u>312</u>	<u>939</u>	<u>14,236</u>
Total fund balances	<u>\$ 1,927</u>	<u>\$ 18,550</u>	<u>\$ 20,477</u>	<u>\$ 61,006</u>

LESLIE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds				Debt Service Funds		
	Food Service	Community Education	Athletic Activities	Total	1995 Debt Service	Durant Debt Service	Total
REVENUES:							
Local sources:							
Lunch and milk sales	\$ 268,326	\$	\$	\$ 268,326	\$	\$	\$
Admission and other	8,566		84,138	92,704			
Interest	35		28	63			
State sources	33,985			33,985		17,108	17,108
Federal sources	184,353			184,353			
USDA donated commodities	16,833			16,833			
Total revenues	512,098		84,166	596,264		17,108	17,108
EXPENDITURES:							
Food service	501,528			501,528			
Athletic activities			247,246	247,246			
Facilities site improvements						17,108	17,108
Principal and interest							
Total expenditures	501,528		247,246	748,774		17,108	17,108
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,570		(163,080)	(152,510)			
OTHER FINANCING SOURCES (USES):							
Operating transfers in			163,080	163,080			
Operating transfers out					(89,813)		(89,813)
Total other financing sources (uses)			163,080	163,080	(89,813)		(89,813)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	10,570			10,570	(89,813)		(89,813)
FUND BALANCES, beginning of year	949	100	1,678	2,727	89,813		89,813
FUND BALANCES, end of year	\$ 11,519	\$ 100	\$ 1,678	\$ 13,297	\$	\$	\$

LESLIE PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Capital Project Funds</u>			Total Nonmajor Governmental Funds
	<u>Concession Capital Project</u>	<u>Capital Project</u>	<u>Total</u>	
REVENUES:				
Local sources:				
Lunch and milk sales	\$	\$	\$	\$ 268,326
Admission and other		4,955	4,955	97,659
Interest	5	144	149	212
State sources				51,093
Federal sources				184,353
USDA donated commodities				16,833
Total revenues	<u>5</u>	<u>5,099</u>	<u>5,104</u>	<u>618,476</u>
EXPENDITURES:				
Food service				501,528
Athletic activities				247,246
Facilities site improvements		91,145	91,145	91,145
Principal and interest				17,108
Total expenditures		<u>91,145</u>	<u>91,145</u>	<u>857,027</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5</u>	<u>(86,046)</u>	<u>(86,041)</u>	<u>(238,551)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in		73,300	73,300	236,380
Operating transfers out	(1,300)		(1,300)	(91,113)
Total other financing sources (uses)	<u>(1,300)</u>	<u>73,300</u>	<u>72,000</u>	<u>145,267</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(1,295)	(12,746)	(14,041)	(93,284)
FUND BALANCES, beginning of year	<u>1,922</u>	<u>13,058</u>	<u>14,980</u>	<u>107,520</u>
FUND BALANCES, end of year	<u>\$ 627</u>	<u>\$ 312</u>	<u>\$ 939</u>	<u>\$ 14,236</u>

LESLIE PUBLIC SCHOOLS
FOOD SERVICE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance with Final Budget- Favorable (unfavorable)
	Original	Final	Actual	
REVENUES:				
Local sources:				
Lunch, milk sales and other	\$ 247,900	\$ 257,100	\$ 276,892	\$ 19,792
Interest	100	100	35	(65)
State sources	27,540	27,540	33,985	6,445
Federal sources	182,524	182,524	184,353	1,829
USDA donated commodities	34,500	34,500	16,833	(17,667)
	<u>492,564</u>	<u>501,764</u>	<u>512,098</u>	<u>10,334</u>
Total revenues				
EXPENDITURES:				
Salaries	154,714	154,714	147,999	6,715
Purchased services	3,650	3,650	5,128	(1,478)
Supplies and other	244,406	253,606	259,638	(6,032)
Employee benefits	90,620	90,620	88,763	1,857
	<u>493,390</u>	<u>502,590</u>	<u>501,528</u>	<u>1,062</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>\$ (826)</u>	<u>\$ (826)</u>	10,570	<u>\$ 11,396</u>
FUND BALANCES, beginning of year			<u>949</u>	
FUND BALANCES, end of year			<u>\$ 11,519</u>	

**LESLIE PUBLIC SCHOOLS
COMMUNITY EDUCATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget- Favorable (unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Interest	\$	\$	\$	\$
OTHER FINANCING (USES):				
Operating transfers out				
EXCESS (DEFICIENCY) OF REVENUES OVER OTHER FINANCING (USES)	<u>\$</u>	<u>\$</u>		<u>\$</u>
FUND BALANCES, beginning of year			<u>100</u>	
FUND BALANCES, end of year			<u>\$ 100</u>	

LESLIE PUBLIC SCHOOLS
ATHLETIC ACTIVITIES SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance with Final Budget- Favorable (unfavorable)
	Original	Final	Actual	
REVENUES:				
Local sources:				
Admission and other	\$ 77,900	\$ 79,650	\$ 84,138	\$ 4,488
Interest	70	70	28	(42)
Total revenues	77,970	79,720	84,166	4,446
EXPENDITURES:				
Salaries	150,462	150,462	145,133	5,329
Purchased services	19,130	19,130	20,725	(1,595)
Supplies and other	42,500	44,250	46,851	(2,601)
Employee benefits	36,403	36,403	34,537	1,866
Total expenditures	248,495	250,245	247,246	2,999
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(170,525)	(170,525)	(163,080)	7,445
OTHER FINANCING SOURCES:				
Incoming operating transfers	170,525	170,525	163,080	(7,445)
Total other financing sources	170,525	170,525	163,080	(7,445)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$	\$		\$
FUND BALANCES, beginning of year			1,678	
FUND BALANCES, end of year			\$ 1,678	

LESLIE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 1998 DEBT
JUNE 30, 2006

	<u>Interest rate</u>	<u>Principal Amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:				
2007	5.00%	\$ 630,000	\$ 541,957	\$ 1,171,957
2008	4.45%	625,000	510,458	1,135,458
2009	4.50%	625,000	482,645	1,107,645
2010	4.60%	640,000	454,520	1,094,520
2011	4.70%	655,000	425,080	1,080,080
2012-2016	Various	3,155,000	1,656,077	4,811,077
2017-2021	Various	2,765,000	917,138	3,682,138
2022-2025	4.875%	<u>2,105,000</u>	<u>254,963</u>	<u>2,359,963</u>
		<u>\$ 11,200,000</u>	<u>\$ 5,242,838</u>	<u>\$ 16,442,838</u>

Principal payments due on first day of May

Interest payments due on the first day of May and November

Original issue – March 1, 1998 \$12,265,000

Purpose – Partially refund the 1995 bonds

LESLIE PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – DURANT DEBT
JUNE 30, 2006

	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:				
2007	4.76%	\$ 12,351	\$ 4,754	17,105
2008		12,942	4,166	17,108
2009		57,557	23,176	80,733
2010		14,203	2,904	17,107
2011		14,880	2,228	17,108
2012-2013		<u>31,918</u>	<u>2,298</u>	<u>34,216</u>
		<u>\$ 143,851</u>	<u>\$ 39,526</u>	<u>\$ 183,377</u>

Principal payments due on fifteenth day of May

Interest payments due on the fifteenth day of May and November

Original issue – 1999 \$243,624

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

August 16, 2006

To the Board of Education
Leslie Public Schools
Leslie, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Leslie Public Schools as of and for the year ended June 30, 2006, which collectively comprise Leslie Public Schools basic financial statements and have issued our report thereon dated August 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leslie Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and other matters

As part of obtaining reasonable assurance about whether Leslie Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Certified Public Accountants

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